

Message Text

LIMITED OFFICIAL USE

PAGE 01 MONTEV 02605 242045Z

62

ACTION ARA-20

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DODE-00 PA-03 USIA-15 PRS-01 AGR-20 RSR-01 /169 W

----- 047742

R 241903Z AUG 73

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 5132

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

USCINCSO

LIMITED OFFICIAL USE MONTEVIDEO 2605

E.O. 11652: N/A

TAGS: ECON, UY

SUBJECT: TWO MONTHS UNDER THE NEW ECONOMIC TEAM

CINCSO FOR POLAD

1. SUMMARY: DURING THE TWO MONTHS SINCE THE JUNE 27 CLOSING OF CONGRESS LED TO CABINET CHANGES THAT BROUGHT A NEW ECONOMIC TEAM INTO OFFICE, THE NEW TEAM HAS SHOWED ENCOURAGING SIGNS OF SEEKING TO RESTRUCTURE THE ECONOMY ALONG MORE RATIONAL LINES BUT HAS NOT YET SHIFTED INTO HIGH GEAR. AN IMPENDING HIGH-LEVEL MEETING OF GOU LEADERS MAY BRING POSITIVE RESULTS.

2. WAGES AND PRICES: THE JULY 1 WAGE AND PRICE INCREASES REFLECTED THE EARLIER GOVERNMENT STRATEGY OF REDUCING THE RATE OF INFLATION BY HOLDING DOWN WAGE INCREASES. AT THE SAME TIME, SOME SMALL STEPS TOWARD THE FREEING OF PRICES FROM CONTROLS WERE TAKEN, AND PRICES CHARGED BY GOVERNMENT ENTERPRISES WERE RAISED TO KEEP THEM IN LINE WITH COSTS. NO FURTHER WAGE INCREASE IS EXPECTED BEFORE JANUARY, THOUGH SOME RESTRUCTURING OF

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MONTEV 02605 242045Z

THE WAGE AND PRICE CONTROL BOARD (COPRIN) MAY TAKE PLACE BEFORE

THEN.

5. SOCIAL SECURITY: THE UPWARD REVISION OF SOCIAL SECURITY BENEFITS WAS ALSO IN LINE WITH PREVIOUS GOVERNMENT PLANS, GIVING A FULL INCREASE IN BENEFITS TO THOSE OVER 60 YEARS OLD. MORE RECENTLY, THE GOVERNMENT APPEARS TO HAVE RESURRECTED PLANS FOR A COMPLETE OVERHAUL OF THE SYSTEM. THESE REFORMS, FORMULATED SEVERAL YEARS AGO WITH THE ASSISTANCE OF A USAID ADVISOR, HAD BEEN LYING DORMANT IN THE LEGISLATURE SINCE 1970.

4. BEEF: THE GOVERNMENT PUT INTO EFFECT A THREE-MONTH BAN (VEDA) ON SLAUGHTER OF BEEF FOR THE DOMESTIC MARKET AS SCHEDULED ON AUGUST 15. UP TO THAT DATE, THERE HAD BEEN CONSIDERABLE INDECISION ON THE PART OF THE GOVERNMENT, APPARENTLY AS THE RESULT OF DOUBTS HELD BY THE MILITARY, AS TO WHEN, AND IF, THE VEDA SHOULD GO INTO EFFECT. HOWEVER, THE GOVERNMENT HAS STILL NOT ACTED ON AN EXPECTED INCREASE IN PRODUCER PRICES FOR BEEF TO ENCOURAGE SLAUGHTER FOR EXPORT DURING THE VEDA. CONSEQUENTLY, PRODUCER PRICES HERE ARE SIGNIFICANTLY LOWER NOW THAN IN ARGENTINA AND BRAZIL, A CIRCUMSTANCE WHICH COULD LEAD TO CATTLE CONTRABAND.

5. FINANCIAL ADMINISTRATION: THE CENTRAL BANK HAS MADE LITTLE PROGRESS IN WORKING OFF ITS BACKLOG OF WORK FROM THE STRIKE FOLLOWING THE CLOSING OF CONGRESS. CONSEQUENTLY, DIFFICULTIES ARE STILL BEING ENCOUNTERED IN PROCESSING OF DOCUMENTS, AND THE CENTRAL BANK HAS STILL NOT BEGUN TO ISSUE PAYMENT FOR COMMERCIAL ARREARS. ADDING TO THE DIFFICULTIES IS THE PENDING PROBLEM OF SANCTIONS AGAINST EMPLOYEES WHO WENT ON STRIKE AFTER CONGRESS WAS DISSOLVED. ABOUT ONE-FOURTH OF THE CENTRAL BANK EMPLOYEES DID NOT COMPLY WITH THE GOVERNMENT'S BACK-TO-WORK ORDER. CENTRAL BANK OFFICIALS TOLD THE EMBASSY THAT THEY HOPED THAT SANCTIONS WOULD BE LIMITED TO PAY DEDUCTIONS AND SEVERE WARNINGS, BUT WERE FEARFUL THAT THE NATIONAL SECURITY COUNCIL (COSENA) WOULD FORCE MORE SEVERE MEASURES UPON THEM, LEADING TO SERIOUS LABOR AND OPERATING DIFFICULTIES.

6. LABOR: LABOR HAS BEEN EXTREMELY QUIET SINCE WORK WAS RESUMED IN EARLY JULY. AN INDICATION OF THE CHANGED ENVIRONMENT IS THE COMMENT OF ONE AMERICAN BUSINESSMAN THAT THE LAST TWO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MONTEV 02605 242045Z

TWO-WEEK PAY PERIODS WERE THE FIRST IN OVER TWO YEARS WHERE HIS WORKERS HAD NOT BEEN DOCKED A PORTION OF THEIR PAY BECAUSE OF SOME WORK STOPPAGE. OTHER BUSINESSMEN HAVE NOTED SUBSTANTIAL INCREASES IN WORKER PRODUCTIVITY IN THEIR PLANTS, AND A WILLINGNESS TO WORK NOT PREVIOUSLY EVIDENT.

7. THE NATIONAL DEVELOPMENT PLAN. THE PLAN IS NOT A SEQUENCED PROGRAM FOR PUBLIC SECTOR ACTIVITY THROUGH 1977, BUT ONLY A

PHILOSOPHY OF THE ROLES OF THE PUBLIC AND PRIVATE SECTORS COMBINED WITH A COMPILATION OF INDIVIDUAL PROJECTS CONSIDERED TO BE OF HIGH PRIORITY. WHILE IT APPEARS THAT NEITHER DIRECTOR OF PLANNING COHEN NOR SOME OF THE MILITARY ARE IN COMPLETE AGREEMENT WITH THE FREE-MARKET ORIENTATION OF THE PLAN, THEY DO SEEM TO BE AWARE THAT THERE IS A LARGE AREA WHERE STATE INTERVENTION HAS BEEN HARMFUL TO THE ECONOMY. THUS, THE APPROACH CURRENTLY TAKEN SEEMS TO BE ONE OF A PARTIAL DEREGULATION OF THE ECONOMY WITHOUT GOING TO THE LENGTHS PROPOSED BY THE PLAN. UNFORTUNATELY, THERE IS STILL MUCH INDECISION. ONCE AGAIN THE GOU IS DISCUSSING PROS AND CONS OF A PETROLEUM BUOY, AS THE DEADLINE APPROACHES BEYOND WHICH URUGUAY CAN NO LONGER USE A LOAN THE IDB HAS GRANTED FOR THAT PURPOSE. THE FOUR-DAY THINK SESSION (MONTEVIDEO 2575) PLANNED FOR NEXT WEEK, HOWEVER, IS AN INDICATION THAT THE GOU, FOR THE FIRST TIME IN MEMORY, MAY BE APPROACHING ITS GOVERNMENTAL INVESTMENT PROGRAM IN A COORDINATED FASHION. THUS, THE OUTCOME OF THE THINK SESSION MAY WELL BE THE BEGINNING OF THE WELDING TOGETHER OF THE DISPARATE PROJECTS INTO A WORKABLE PLAN. IT MAY ALSO HAVE THE ADDITIONAL BENEFIT OF FORCING AN EXPLICIT RECOGNITION OF WHAT A DECISION TO BUILD THE PALMAR DAM WOULD MEAN IN TERMS OF FOREGONE INVESTMENTS IN OTHER AREAS. IN ESSENCE, THEN, THE GOU HAS ADOPTED IN SIGNIFICANT PART AN APPROPRIATE PHILOSOPHY, AND THERE ARE HOPES THAT IT MAY SOON COME UP WITH A COHERENT SET OF PROJECTS THAT COULD BE MEANINGFULLY CALLED A DEVELOPMENT PLAN.

5. PUBLIC ADMINISTRATION: AS NOTED ABOVE, THERE ARE SIGNS OF AN END TO THE ANARCHY THAT HAS CHARACTERIZED PUBLIC SECTOR POLICY OVER THE PAST DECADE OR MORE. THE ECONOMIC TEAM, HOWEVER, HAS NOT YET SHOWN MANY SIGNS OF OPERATING EFFECTIVELY AS A TEAM, AND THE DECISION-MAKING PROCESS CONTINUES TO BE SLOW.

9. CONCLUSION: WHILE THE GOVERNMENT ECONOMIC TEAM RULES AT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MONTEV 02605 242045Z

THE PLEASURE OF THE MILITARY, IT IS CLEAR THAT THE FORMER CURRENTLY HOLD ENOUGH POWER TO MAKE PROGRAMS FUNCTION. THEY SEEM TO BE FINALLY IN THE PROCESS OF TAKING A NUMBER OF DECISIONS THAT HAVE LONG BEEN RECOGNIZED AS NEEDED, BUT ALWAYS POSTPONED FOR LACK OF POLITICAL SUPPORT. SEVERAL MORE MONTHS WILL PROBABLY BE NEEDED TO DETERMINE WHETHER OR NOT THE NEW ECONOMIC TEAM CAN OR WILL REALLY REORDER THE ECONOMY. BUT WE SHOULD KNOW AT LEAST A LITTLE MORE AFTER NEXT WEEK'S FOUR-DAY SKULL SESSION.

ORTIZ

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 24 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MONTEV02605
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MONTEVIDEO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730817/aaaaamhw.tel
Line Count: 164
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 16 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jan-2002 by martinml>; APPROVED <14 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TWO MONTHS UNDER THE NEW ECONOMIC TEAM CINCSO FOR POLAD
TAGS: ECON, UY
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005